

Fig. 1 (100)

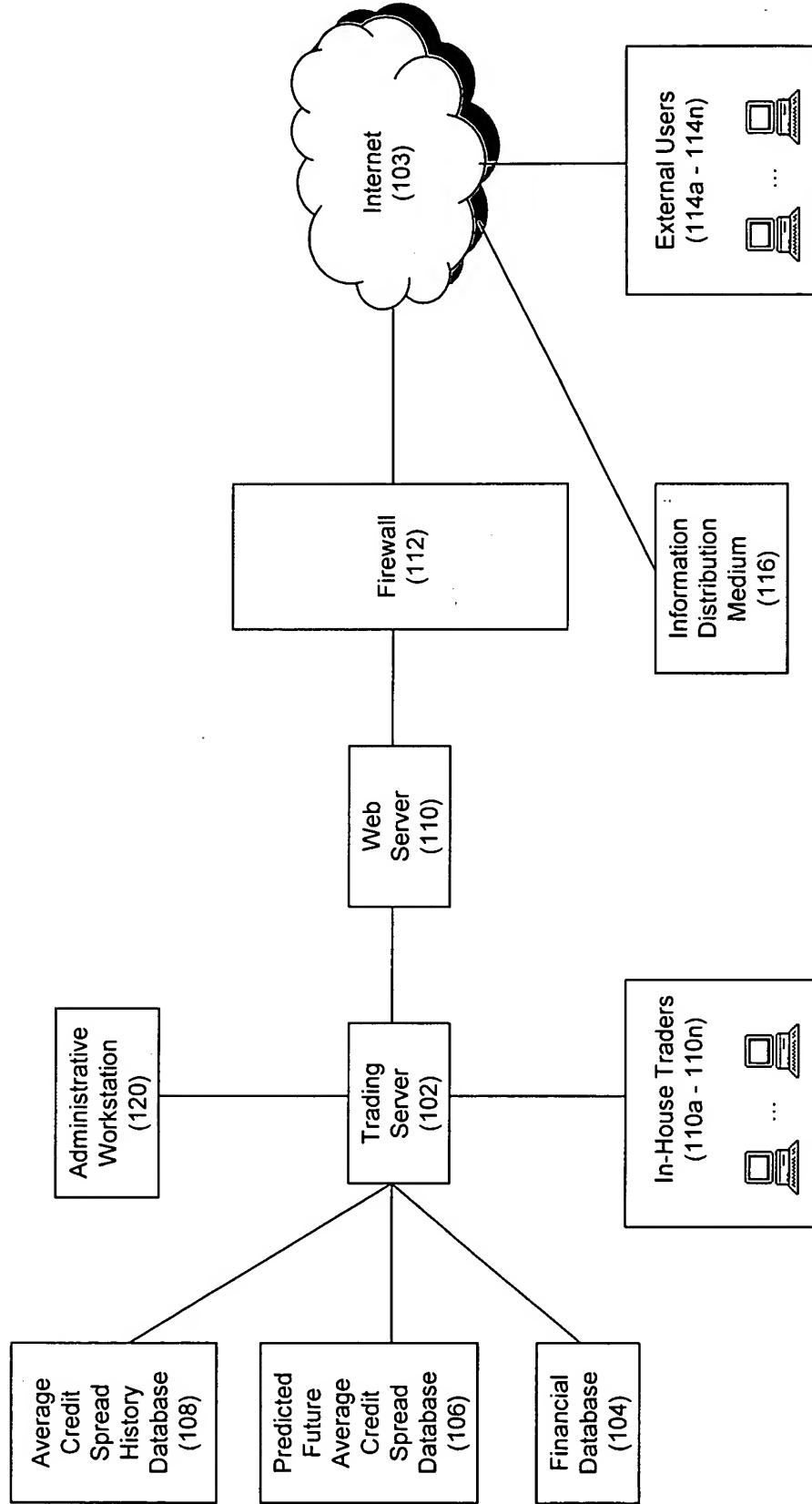


Fig. 2 Average Credit Spread History Database (108)

Time Period	ACS	Source	P1 (bp)	Type	Tick
199902	AIRLINE INDUSTRY: TOTAL	Moody's	168	Quarterly	1.00
199903	AIRLINE INDUSTRY: TOTAL	Moody's	171	Quarterly	1.00
199904	AIRLINE INDUSTRY: TOTAL	Moody's	170	Quarterly	-1.00
200001	AIRLINE INDUSTRY: TOTAL	Moody's	169	Quarterly	-1.00
200002	AIRLINE INDUSTRY: TOTAL	Moody's	172	Quarterly	1.00
200003	AIRLINE INDUSTRY: TOTAL	Moody's	174	Quarterly	1.00
200004	AIRLINE INDUSTRY: TOTAL	Moody's	172	Quarterly	-1.00
200101	AIRLINE INDUSTRY: TOTAL	Moody's	178	Quarterly	1.00
200102	AIRLINE INDUSTRY: TOTAL	Moody's	180	Quarterly	1.00
200103	AIRLINE INDUSTRY: TOTAL	Moody's	177	Quarterly	-1.00
200104	AIRLINE INDUSTRY: TOTAL	Moody's	198	Quarterly	1.00
200201	AIRLINE INDUSTRY: TOTAL	Moody's	204	Quarterly	1.00
200202	AIRLINE INDUSTRY: TOTAL	Moody's	203	Quarterly	-1.00
200203	AIRLINE INDUSTRY: TOTAL	Moody's	206	Quarterly	1.00
200204	AIRLINE INDUSTRY: TOTAL	Moody's	205	Quarterly	-1.00
200301	AIRLINE INDUSTRY: TOTAL	Moody's	202	Quarterly	-1.00

202
204

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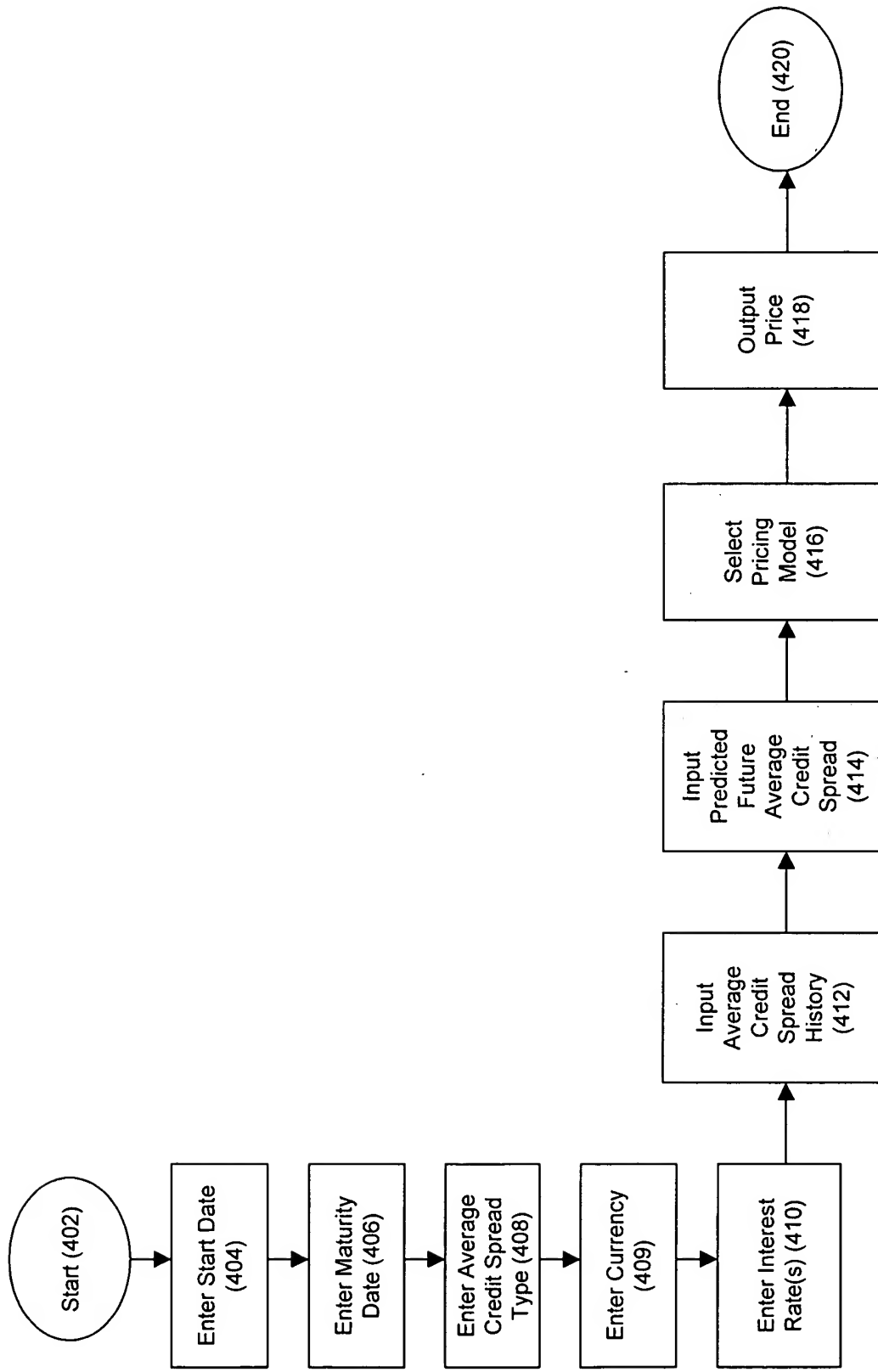
Fig. 3 Predicted Future Average Credit Spread Database (106)

Time Period	ACS	Source	P1 (bp)	Type	Tick
200401	AIRLINE INDUSTRY: TOTAL	Moody's	204	Quarterly	-1.00
200402	AIRLINE INDUSTRY: TOTAL	Moody's	203	Quarterly	0.00
200403	AIRLINE INDUSTRY: TOTAL	Moody's	201	Quarterly	-1.00
200404	AIRLINE INDUSTRY: TOTAL	Moody's	199	Quarterly	1.00
200501	AIRLINE INDUSTRY: TOTAL	Moody's	200	Quarterly	-1.00
200502	AIRLINE INDUSTRY: TOTAL	Moody's	198	Quarterly	-1.00
200503	AIRLINE INDUSTRY: TOTAL	Moody's	195	Quarterly	1.00
200504	AIRLINE INDUSTRY: TOTAL	Moody's	196	Quarterly	-1.00
200601	AIRLINE INDUSTRY: TOTAL	Moody's	195	Quarterly	-1.00

302 —
304 —

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Fig.4 (400)



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Fig.5 (500)

Options Pricing Module

Call Option Price

\$5350

510

Inputs

Enter Start Date:

11/1/04

Enter Maturity Date:

11/30/04

506

Calculations

Time to Maturity:

Months

Days

1

(T)

29

Calculation for D1

Calculation for D2

Exponential Function (e)

27.54

(41.67)

2.7183

502

Select ACS Type:

AIRLINE INDUSTRY TOTAL

AUTO ASSEMBLY TOTAL

DEFENSE: AEROSPACE TOTAL

COMMERCIAL BANK TOTAL

INVESTMENT BANK TOTAL

ENERGY PRODUCTION TOTAL

ENERGY SERVICES TOTAL

Enter Average Credit Spread (S):

456

Enter Strike Price (K):

366

Enter Interest Rate (r):

3%

Enter Standard Deviation (σ)

83.00

Enter Cum. Std. Nrml. Dist. (N):

14%

504

D2 = D1 – Sigma * Square root of T

(49.43)

-R * T

ERT

(0.03)

0.97

D₁ = (#2 + #5)

BELOW, CALCULATION OF D₁

#1 S / K

1.245901639

#2 Ln(s/k)

0.219859476

#3 r

3%

#4 SIGMA²/2

3444.5

#5 (r + SIGMA²/2)^T

2,625.58

#6 TOP HALF OF EQUATION

2,625.58

#7 STD. DEV. * sqr ROOT T

81.60494266

#8 BOTTOM HALF OF EQUATION

81.60494266

#9 CALCULATION OF D₁

32.18

NORMAL DISTRIBUTION—NEED TO IDENTIFY MEAN AND STD. DEV.

STANDARD DEVIATION

83.00

MEAN

456

X

366

NORMAL DISTRIBUTION

0.139107661

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Fig.6 (600)

